

TEACHERS' RETIREMENT BOARD

AD HOC GOVERNANCE COMMITTEE

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SUBJECT:     Reporting of Contributions                     ITEM NUMBER:       4    
                 and Gifts  
   ATTACHMENT(S):   1  

ACTION:       X                                       DATE OF MEETING:     April 2, 1998

INFORMATION:     \_\_\_\_\_                                     PRESENTER:     Chairperson

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At its March meeting, the Ad Hoc Governance Committee extensively discussed an approach which requires disclosure of political contributions and gifts from vendors to CalSTRS Board members and staff. The Committee requested that the CEO incorporate the principal elements of its discussion into a draft policy regarding the disclosure of contributions and gifts. A copy of the draft policy statement is attached.

If the draft policy is acceptable in concept, there remain a number of specific issues that must be resolved before the policy becomes operational. The main issues appear to be:

1. Does the policy apply to the Governor and candidates for the office of Governor?
2. Does the policy apply to current vendors or is it prospective in nature? Should current contracts be amended?
3. What officials in a given entity are required to file disclosure statements? Is disclosure limited only to those officials who have responsibility for the STRS account?
4. In large companies, with multiple subsidiaries, at what level does the reporting occur?
5. Are brokerage services covered?
6. More than 100 entities may have to file annual disclosure statements. Does the Board want any type of summary report?
7. Violations will essentially be undetectable unless reported by a third Party because STRS has no capacity to conduct investigations. Is this acceptable to the Board?

If the Committee concurs with the proposal, it should be recommended to the Board as an amendment to the Teachers' Retirement Board Policy Manual.

Disclosure of Contributions and Gifts

(Proposed)

1. Any party who "engages in business with CalSTRS for gain" shall disclose the following:
  - A. Campaign contributions as defined under the Political Reform Act, valued in excess of \$100, made to any official covered in section 2 of this policy.
  - B. Monetary or in kind benefits, valued in excess of \$50, solicited for, or given to any official covered in section 2 of this policy.
  - C. Any charitable contribution, valued in excess of \$50, made at the request of any official covered in section 2 of this policy.
  - D. Gifts, meals, or entertainment, with a cumulative value equal to or exceeding \$50, in any calendar year, given to any official covered in section 2 of this policy.
2. This policy applies to contributions and gifts that are made to, or on behalf of any existing CalSTRS Board member (the Governor), candidates for Controller, Treasurer, and Superintendent of Public Instruction, (Governor), or CalSTRS staff.
3. This policy shall apply to any vendor, investment firm, consultant, any other non-governmental entity which either (1) seeks a business relationship with the System or (2) has a current relationship with the System, which is likely to generate at least \$100,000 annually in income, fees or other revenue to the business entity.
4. Disclosure of contributions and gifts shall be required as follows:
  - A. Upon submission of an initial application or proposal to do business with the System (for the preceding 12-month period).
  - B. At the time the final decision is to be made regarding the business proposal. (To cover the interim period since the initial application.)

C. Annually, for the previous calendar year, if the income threshold in section 3 is met.

5. Any violation of this policy may lead to disqualification from doing business with the System and termination of any existing business relationship. The Chief Executive Officer is responsible for investigating any reported violation and shall report any documented violation to the Board for action.
6. Nothing in this policy supersedes any provision of State law. Those entities engaged in business with System may also have reporting requirements under the Political Reform Act, California Government Code section 51000 et seq.